Guide to Writing a Business Plan

Produced by the Massachusetts Office of Business Development

MASSACHUSETTS
POWERED BY INGENUITY

MASSACHUSETTS
OFFICE OF
BUSINESS DEVELOPMENT

Guide to Writing a Business Plan

This guide will assist in writing a business plan. Additionally, this guide attempts to cover all types of businesses and therefore covers a broad base of subject matter and general concepts. In some cases the information that is requested may not seem applicable to your business. For instance, if you're being asked for manufacturing requirements to assemble products and the plan is being written for a service company, simply include the equipment necessary to provide the service. Each company is unique and should have an individually tailored business plan that will reflect the objectives of the entrepreneur and give the reader the overall concept of the business.

Business Plan Objective

The business plan is a selling document. It should demonstrate that a business can sell enough of its products or services to generate a profit and should attract investors or lenders. The business plan should also assist the entrepreneur in planning for all aspects of starting or growing his or her business. It is important to take the time to demonstrate how much you know about the business and walk through each step of the planning process. To reach the goals and objectives of the business plan it is extremely helpful to set timelines and describe specific benchmarks that should be met.

Full Disclosure

Most business plan readers, particularly potential investors, read any business plan with skepticism. Therefore, the plan must clearly disclose all information relevant to the company, its business, management, products, and accounts. The reader should not be surprised by additional information or discover that the plan withheld contentious points or potentially negative information that is critical to analyzing and assessing the risks inherent to an industry, or the company specifically. Give the reader an honest story and disclose all necessary information which would affect any owner or involve any potential investor.

Physical Characteristics of the Plan

A complete plan should be approximately 40 pages and fully explore the issues involved in the business. It should answer the basic questions: Who are you? What are you trying to do? How are you going to do it? How much will it cost? A complete plan is used in seeking total financing, including equity as well as debt.

A condensed version of the plan may be scaled down to 10 pages and briefly summarize each subject covered in the complete plan. This shortened version is an elaborated executive summary and may be used as a preliminary request for information, or for seeking a single bank loan, or for review by individuals who are already familiar with the company.

Presentation counts. The document should project professionalism, have an appealing look, be easy to read, be well organized and follow a logical progression. As a selling document it also will reflect the style of the management, so pay attention to small details. Cosmetics, format, and packaging will be requirements to attract potential investors.

There is no right way to organize a business plan, but there are many pitfalls that should be avoided. Listed below are a few of the most common mistakes in business plan writing:

- The writing is unclear and difficult to understand.
- Too long. Get to the point, support it with facts where necessary, and move on. Beware: simply binding pounds of information together is not a good business plan.
- Poor layout. The layout should be logical and can be enhanced by including illustrations, pictures of products, or graphs.
- Omission of an executive summary.
- Too much technical jargon. Define product features in layman's terms. Clearly define user benefits and explain why someone would want to buy the product or service.
- Insufficient detail on the qualifications of management.
- Market ignorance. Lack of knowledge of the customer and of what it wants or needs.
- No competition. Worse than stating that there is no competition is to show a superficial review of the competition.
- Creative accounting format. Do not makeup a style to present financial information: use standard format.
- No reason to invest. Give a compelling reason to invest NOW.

SAMPLE BUSINESS PLAN OUTLINE

The cover page must include the company name, and accessible telephone or fax numbers as well as an e-mail address. Also include any disclaimers of confidentiality if necessary.

I. Table of Contents

II. Executive Summary

III. Description of the Company

IV. Management

V. Product/Service

VI. Description of the Market
Market Research and Analysis
Marketing Plan

VII. Competition

VIII. Operating Plan

IX. Financial Information
Historical Financial Data
Assumptions
Five-Year Projections
Use of Proceeds

X. Risks

XI. Benchmarks/Milestones

XII. Appendix

IN PREPARATION OF WRITING

Pay attention to the "voice" when discussing the company (i.e., use either "our company..., we plan to..." or "the company..., they plan to..."). Choose one and be consistent.

I. Table Of Contents

List the sections of the plan as they are listed above with the appropriate page numbers. Tabs make it easier for the reader to flip to a specific section and are cosmetically appealing. Make sure the pages line up with the numbers on the Table of Contents. One page maximum.

II. Executive Summary

The executive summary is the MOST IMPORTANT SECTION and is absolutely necessary. It should be no longer than two pages, and should be written last. The executive summary is a condensed version of the ENTIRE business plan. It is more than just a corporate introduction or background summary. If the reader were to receive only these two pages, he/she should be able to understand what the business plan contains, its purpose, and what the company wants. This should include the snapshot of the financials. Specify how much money is required and to what use it will be put.

If the executive summary is effectively written, it will:

- Establish credibility by highlighting management;
- Describe the product or service and how it will be sold;
- Explain the need and show proof of concept;
- Inform the reader of critical benchmarks;
- Show the company's vision of the future;
- Ask for the appropriate amount of money and present a defensible case for such a request; and
- Make the reader want to read the complete business plan.

III. Description Of the company

Consider using a story format. Define basic information such as whether the entity is a corporation, partnership, or sole proprietorship; who owns it; and how long it has been in business. List where it is located, number of employees, and the current stage of its development and what kind of products or services the company currently provides. Include the overall strategy and acknowledge some of the company's key success factors. Describe the company's objectives and goals. Be clear about the company's ability to meet these goals – the objectives and goals should be realistic given the company's resources and the purpose of this business plan.

IV. Management

Investors consider management one of the most important reasons to invest in a company. Most readers will be investing in the management and its ability to perform. The entrepreneur and owner must objectively review the company's strengths and weaknesses and assess the company's future management and staffing requirements. Include a brief paragraph describing each member of the staff. If appropriate, include an organizational chart and employment policies. Can the plan be executed with the existing management? Can management prove that they can accomplish the task at hand? Additionally, list members of the Board of Directors, advisors, technical or scientific advisory panel members.

V. Product/Service

Describe the specifications and capabilities of

the product or service. Resist the temptation to use too much technical jargon. Keep the language in basic layman's terms. This serves two purposes: it enables the layperson to follow the description, and it highlights the basic concepts behind the product or service. While describing the product or service, point out any beneficial features; e.g. it's faster, it's less expensive, it lasts longer. This is a good place to point out the manufacturing requirements for the product, and what elements go into making the product or rendering the service. Include necessary discussions on any government regulations required to operate; e.g. environmental regulations, FDA, special permits, licensing, or relations with other regulatory bodies that oversee current business operations. It is helpful to include photographs, catalogues, brochures, professional drawings or renditions of the product. If the product or service has been supported by existing customers or there are third-party endorsements or experts who recommend its use, include these testimonials.

VI. Description of the Market
Market Research And Analysis
Marketing Plan

This section should be the most detailed section of the plan because it defines specifically how you intend to execute the plan. Define the overall market and identify which piece of the marketplace the company intends to penetrate. Explain why you have chosen this market research for your product or service, and what market research was used to support the choice. Show that management fully understands the marketplace.

Once the marketplace has been outlined, establish whether this marketplace is either "static" or "growing." If it is static, that means the company is going to be stealing customers from their existing suppliers, which leads to the question of - Why would the customer want to switch brands and buy another? If the marketplace is growing or dynamic, explain why existing supply cannot keep up with demand. For either option, show that there are enough customers for the product or service to warrant the sales level that you are projecting. Then demonstrate the company's knowledge of who they believe to be their customers. Explain criteria and qualifications for the existing target market, and identify requirements or restrictions. Finally, having discovered and analyzed all of the above, the company is in a position to discuss how it will penetrate the marketplace. It is important to note that marketing strategies and techniques vary greatly from industry to industry.

A complete discussion of the marketplace should include at least the following points.

- **Establish Demand by Defining the Opportunities**
  Go beyond identifying the primary market. Include secondary markets and potential additional revenue streams.

- **Market Research**
  Whether formal or informal, it is imperative to show the source and extent of data used to determine market definition. Needless to say a few newspaper or magazine articles do not constitute market research.

- **Market Penetration**
  While it is unrealistic to claim 100% of any market, it is realistic to explain a marketing strategy to capture a portion of the marketplace. It would be wise to have Plan A as well as Plan B to show the depth of thought toward alternative strategies to accomplish goals should unforeseen circumstances impact Plan A.

- **Projections**
  The ability to generate revenues should be addressed briefly in the marketing section. This information will be reiterated and expanded in the financial section of the plan, but some details should be spelled out in this section.

- **Additional Factors**
  Pricing strategy, public relations and advertising campaign, location, financial requirements, government regulation, international exposure, channels of distribution, sales quotas, incentives and operating ratios to track business, and identifiable trends in the industry.

VII. Competition

Each company will be faced with competition and other external factors over which management has no control. Be specific in identifying other companies or products and services that compete head to head with your company for the same customer. Profile these competitors and include a description of their product or service. What is the advantage of your product over theirs? Answer questions about how easy it is to duplicate and how much lead time a company has ahead of possible copies. Keeping a close handle on these external forces of influence will help in future planning.

VIII. Operating Plan

Summarize the operating plan by describing how the business creates its product or service. What is the production process, and what are the manufacturing requirements? Are there labor and maintenance cost considerations? How will you

plan scheduling? How will customers pick up and receive items? Can you include a flow chart to diagram control of operations? Are there any specific regulations or forms to fill out such as RFPs? Is the company in the research and development phase or is it ready to ship product? Address the physical requirements such as plant size, location, amount of machinery, and number of operating personnel to produce the product or service. Explain the process of engineering the product or its packaging. Is this function going to be in-house or are you going to have it done by sub-contractors? What suppliers or vendors are required? Are there key relationships that should be mentioned? Does the company need hard-to-acquire parts or depend on any sole supplier? Note the procedures that will be used for quality control and the steps necessary to ensure customer satisfaction. Outline the steps used for customer service and additional product support or return policy. In general, describe how the company will physically be able to execute the plan.

IX. Financial Information
Historical Financial Data
Assumptions
Five-Year Projections
Use of Proceeds

By presenting financial information, a company shows what its growth prospects are, so that an investor can calculate the potential return or a banker can determine the coverage for a proposed loan. It should be made clear from these financial schedules how much money will be needed to achieve planned goals and how and when the entrepreneur can pay back the lenders/investors. Beginning with reliable data and solid, defensible assumptions, the business plan can ultimately be told in the form of financial projections. This overview will reveal the potential bottom-line outcome of the operation. It is advisable to review financial information and additional financial scenarios carefully to ensure accuracy, particularly with early stage companies.

The financial information that investors/bankers consider important are balance sheets, income statements, and cash flow analysis. If the company has historical financial data, it is advisable to include up to three years of financial history of the company. Projecting forward, regardless of whether the company is an existing one or a start-up, the financial data should include each one of the three schedules just mentioned to show a first-year projection detailed by month, then a second-year projection detailed by quarter and, finally, a third- to fifth-year projection detailed annually. There will be assumptions used in putting the schedules together – level of sales growth, level of expenses, interest rates, etc. Establish and display these assumptions at the outset so that the reader knows how these schedules have been put together. Sample forms of these schedules are included at the back of this outline. Included is a suggested form of source and use of funds which will show the investor how the money that is raised will be spent.

X. Risks

Management should demonstrate its ability to handle adverse situations and deal with unanticipated problems. Initially, business owners should, to the best of their ability, disclose major risks and pertinent information that might influence or affect the lender or investors, such as regulatory hurdles (EPA, FDA). What happens if the assumptions are not correct or the growth targets not met? Showing an anticipation of all possible eventualities, good and bad, makes the plan more credible.

XI. Benchmarks/Milestones

Use a timeline, graphs, charts, or diagrams to express how the company anticipates executing the plan. Explain priorities or steps involved in order for the product to be made or service to be provided. List management projects that must be completed to be successful. Include events such as holiday selling periods, back-to-school deadlines, vendor/supplier annual events, seasonality, etc.

XII. Appendix

Include any supporting information in this section, such as resumes. Make reference to the material in the body of plan.

Sample Balance Sheet

		Current Year	Forecasted Periods
Current Assets	Assets	$	$
Cash (Note)			
Accounts Receivable (Note)			
Inventory (Note)			
Prepaid Expenses			
Total Current Assets			
Property Equipment (Note)			
Equipment			
Office Furniture and Fixings			
Leasehold Improvements			
Less - Accumulated Depreciation and Amortization			
Other Assets			
Organization Costs, Net of Accumulated Amortization (Note)		$	$
Current Liabilities	Liabilities and Stockholders' Equity	$	$
Current portion of long-term obligations			
Accounts Payable (Note)			
Accrued Expenses			
Federal and State Income Taxes Payable			
Total Current Liabilities			
Long-Term Obligations (Note)			
Stockholders' Equity			
Common stock, no Par Value			
Authorized - shares			
Issued and Outstanding - Shares			
Retained Earnings (Accumulated Deficit)			
		$	$

A business plan should include the current year's financial results and forecasted financial statements that include significant forecasted assumptions (sample included). The forecasted financial statements should be presented for a minimum of three years with five years preferred. The forecast should be presented monthly for year one, quarterly or monthly for year two, and annually for all subsequent forecasted periods.

Practical Note: Total liabilities and stockholders' equity should equal total assets.

Practical Note: Ending retained earnings should agree with the ending retained earnings number on the balance sheet.

Sample Forecasted Statements of Income and Retained Earnings

	Current Year	Forecasted Periods
Revenue (Note)	$	$
Cost of Sales (Note)		
Salaries and Wages		
Payroll Taxes and Fringe Benefits		
Product Costs		
Rent Expense		
Equipment Lease		
Utilities		
Depreciation and Amortization		
Total Operating Expenses		
Gross Margin (deficit)		
Selling, General and Administrative Expenses (Note)		
Advertising		
Administrative		
Salaries and Wages		
Payroll Taxes and Fringe Benefits		
Commissions		
Insurance		
Depreciation and Amortization		
Total Selling, General and Administrative Expenses		
Income from Operations		
Other (Income) **Expenses**		
Interest Expense		
Interest Income		
Total Other (Income) Expenses		
Income Before Provision of Income Taxes		
Provision for Income Taxes (Note)		
Current Federal and State Income Taxes		
Net Income (loss)		
Retained Earnings, Beginning of Period		
Retained Earnings, End of Period		
	$	$

Sample – Source and Use of Funds

Sources of Funds

Proceeds from the state of series B preferred stock	$3,000,000

Uses of Funds

Administrative and Office Expenses	$ 400,000
Marketing	$ 635,000
Product Development	$ 780,000
Equipment	$ 350,000
Patent and Licensing	$ 300,000
Offering Expenses	$ 60,000
Placement Agency Fee	$ 240,000
Working Capital	$ 235,000
	$3,000,000

The placement agency fee of $240,000 represents a commission of 8% of the total capital raised. The offering expenses of $60,000 are for legal, accounting and other professional fees relating to the preparation of this memorandum.

Sample – Forcasted Balance Sheets

	1/31/96	2/28/96	3/31/96	4/30/96	5/31/96	6/30/96	7/31/96	8/31/96	9/30/96	10/31/96	11/31/96	12/31/96	12/31/97	12/31/98	12/31/99	12/31/00
	Assets															
Current assets:																
Cash (Note 1)	$489,380	$479,120	$471,100	$464,750	$458,805	$455,226	$425,349	$420,168	$404,259	$407,852	$417,220	$445,839	$563,360	$920,212	$1,744,347	$3,114,045
Accounts receivable (Note 6)	3,750	6,500	9,250	13,000	18,500	24,500	32,000	41,500	49,350	59,550	71,700	77,600	81,000	142,000	228,000	319,000
Inventory (Note 1)	2,100	3,000	4,200	6,000	7,800	10,200	13,200	17,100	20,400	24,600	29,400	32,550	40,700	71,200	113,900	159,500
Prepaid expenses	1,500	1,500	1,500	1,000	1,000	1,000	500	500	500	0	0	0	3,000	4,500	6,000	7,500
Total current assets	496,730	490,120	486,050	484,750	486,105	490,926	471,049	479,268	474,509	492,002	518,320	555,989	688,060	1,137,912	2,092,247	3,600,045
Property and equipment (Notes 1,3 and 6):	25,000	25,000	25,000	25,000	25,000	25,000	40,000	40,000	55,000	55,000	55,000	55,000	100,000	150,000	200,000	250,000
Equipment	2,500	2,500	2,500	2,500	2,500	2,500	4,000	4,000	5,500	5,500	5,500	5,500	10,000	15,000	20,000	25,000
Office furniture and fixtures	10,000	10,000	10,000	10,000	10,000	10,000	16,000	16,000	22,000	22,000	22,000	22,000	40,000	60,000	80,000	100,000
Leasehold improvements	37,500	37,500	37,500	37,500	37,500	37,500	60,000	60,000	82,500	82,500	82,500	82,500	150,000	225,000	300,000	375,000
Less - Accumulated depreciation and amortization	310	620	930	1,240	1,550	1,860	2,360	2,860	3,550	4,240	4,930	5,620	20,620	43,120	73,120	110,620
	37,190	36,880	36,570	36,260	35,950	35,640	57,640	57,140	78,950	78,260	77,570	76,880	129,380	181,880	226,880	264,380
Other assets:																
Organization costs, net of accumulated amortization (Note 1)	60,000	59,000	58,000	57,000	56,000	55,000	54,000	53,000	52,000	51,000	50,000	49,000	37,000	25,000	13,000	1,000
	$593,920	$586,000	$580,620	$578,010	$578,055	$581,566	$582,689	$589,408	$605,459	$621,262	$645,890	$681,869	$854,440	$1,344,792	$2,332,127	$3,865,425
	Liabilities and Stockholder's Equity															
Current liabilities:																
Current maturities of long-term obligations	$23,466	$26,296	$29,150	$32,029	$33,239	$33,530	$33,824	$34,120	$34,418	$34,720	$35,023	$35,329	$39,223	$43,546	$48,345	$12,896
Accounts payable (Note 6)	2,000	2,000	2,600	3,500	4,200	5,200	7,600	8,900	11,000	13,400	15,400	18,000	21,400	30,600	39,400	46,700
Accrued expenses	700	700	700	700	700	700	1,300	1,300	1,300	2,000	2,000	2,000	3,100	4,300	5,400	6,200
Federal and state income taxes	0	0	0	0	200	1,200	1,400	3,000	6,300	9,400	14,500	21,700	31,400	78,650	157,100	247,225
Total current liabilities	26,166	28,996	32,450	36,229	38,339	40,630	44,124	47,320	53,018	59,520	66,923	77,029	95,123	157,096	250,245	313,021
Long-term obligations (Note 6)	176,534	173,704	170,850	167,971	165,066	162,136	159,180	156,198	153,191	150,157	147,097	144,010	104,787	61,241	12,896	0
Stockholders' equity:																
Common stock, no par value	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000
Authorized - 500,000 shares																
Issued and outstanding - 250,000 shares																
Retained earnings (accumulated deficit)	(8,780)	(16,700)	(22,680)	(26,190)	(25,350)	(21,200)	(20,615)	(14,110)	(750)	11,585	31,870	60,830	254,530	726,455	1,668,986	3,152,404
	391,220	383,300	377,320	373,810	374,650	378,800	379,385	385,890	399,250	411,585	431,870	460,830	654,530	1,126,455	2,068,986	3,552,404
	$593,920	$586,000	$580,620	$578,010	$578,055	$581,566	$582,689	$589,408	$605,459	$621,262	$645,890	$681,869	$854,440	$1,344,792	$2,332,127	$3,865,425

Sample – Forcasted Statements of Income and Retained Earnings

													Year Ending		Year Ending		
	1/31/96	2/28/96	3/31/96	4/30/96	5/31/96	6/30/96	7/31/96	8/31/96	9/30/96	10/31/96	11/30/96	12/31/96	12/31/96	12/31/97	12/31/98	12/31/99	12/31/00
Revenue (Notes 2 and 4):	$5,000	$7,000	$10,000	$14,000	$20,000	$26,000	$34,000	$44,000	$57,000	$68,000	$82,000	$98,000	$465,000	$976,500	$1,708,900	$2,734,200	$3,827,900
Cost of sales (Note 5):																	
Salaries and wages	4,000	4,000	4,000	4,000	4,000	4,000	8,000	8,000	8,000	12,000	12,000	12,000	84,000	147,000	205,800	257,300	295,900
Payroll taxes & fringe benefits	900	900	900	900	900	900	1,700	1,700	1,700	2,600	2,600	2,600	18,300	32,000	44,800	56,000	64,400
Product costs	1,500	2,100	3,000	4,200	6,000	7,800	10,200	13,200	17,100	20,400	24,600	29,400	139,500	244,100	341,700	427,100	491,200
Rent expense	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000	21,000	29,400	36,800	42,300
Equipment leases	0	0	100	100	100	100	200	200	300	300	400	500	2,300	4,000	5,600	7,000	8,100
Utilities	200	200	200	250	300	300	325	325	350	375	375	400	3,600	6,300	8,800	11,000	12,700
Depreciation and amortization	310	310	310	310	310	310	500	500	690	690	690	690	5,620	15,000	22,500	30,000	37,500
Total cost of sales	7,910	8,510	9,510	10,760	12,610	14,410	21,925	24,925	29,140	37,365	41,665	46,590	265,320	469,400	658,600	825,200	952,100
Gross margin (deficit)	(2,910)	(1,510)	490	3,240	7,390	11,590	12,075	19,075	27,860	30,635	40,335	51,410	199,680	507,100	1,050,300	1,909,000	2,875,800
Selling, general and administrative expenses (Note 5):																	
Advertising	100	140	200	280	400	520	680	880	1,140	1,360	1,640	1,960	9,300	19,500	34,200	54,700	76,600
Administrative expenses	600	600	600	600	600	600	1,200	1,200	1,200	1,800	1,800	1,800	12,600	22,100	30,900	38,600	44,400
Salaries and wages	2,200	2,200	2,200	2,200	2,200	2,200	4,400	4,400	4,400	6,600	6,600	6,600	46,200	80,900	113,200	141,500	162,700
Payroll taxes and fringe benefits	500	500	500	500	500	500	900	900	900	1,400	1,400	1,400	9,900	17,400	24,300	30,400	35,000
Commissions	0	0	0	0	0	0	1000	1000	1000	1000	1000	1000	6000	15000	26000	41000	57000
Insurance	500			500			500			500			2,000	3,500	4,900	6,100	7,000
Property tax												0	7500	7875	8269	8682	
Amortization expense	0	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	11000	12000	12000	12000	12000
	3,900	4,440	4,500	5,080	4,700	4,820	9,680	9,380	9,640	13,660	13,440	13,760	97,000	177,900	253,375	332,569	403,382
Income from operations	(6,810)	(5,950)	(4,010)	(1,840)	2,690	6,770	2,395	9,695	18,220	16,975	26,895	37,650	102,680	329,200	796,925	1,576,431	2,472,418
Other (income) expenses:																	
Interest expense	2,070	2,070	2,070	1,760	1,740	1,710	1,690	1,670	1,640	1,620	1,590	1,570	21,200	16,900	12,900	8,600	3,700
Interest income	(100)	(100)	(100)	(90)	(90)	(90)	(80)	(80)	(80)	(80)	(80)	(80)	(1,050)	(1,800)	(2,500)	(3,100)	(3,600)
	1,970	1,970	1,970	1,670	1,650	1,620	1,610	1,590	1,560	1,540	1,510	1,490	20,150	15,100	10,400	5,500	100
Income before provision for income taxes	(8,780)	(7,920)	(5,980)	(3,510)	1,040	5,150	785	8,105	16,660	15,435	25,385	36,160	82,530	314,100	786,525	1,570,931	2,472,318
Provision for income taxes (Note 1):																	
Current federal and state income taxes	0	0	0	0	200	1,000	200	1,600	3,300	3,100	5,100	7,200	16,500	125,600	314,600	628,400	988,900
Net income (loss)	($8,780)	($7,920)	($5,980)	($3,510)	$840	$4,150	$585	$6,505	$13,360	$12,335	$20,285	$28,960	$66,030	$188,500	$471,925	$942,531	$1,483,418
Retained earnings, beginning of period	0	(8,780)	(16,700)	(22,680)	(26,190)	(25,350)	(21,200)	(20,615)	(14,110)	(750)	11,585	31,870	0	66,030	254,530	726,455	1,668,986
Retained earnings, end of period	($8,780)	($16,700)	($22,680)	($26,190)	($25,350)	($21,200)	($20,615)	($14,110)	($750)	$11,585	$31,870	$60,830	$66,030	$254,530	$726,455	$1,668,986	$3,152,404

Sample – Forcasted Statements of Cash Flows

													Year Ending	Year Ending			
	1/31/96	2/28/96	3/31/96	4/30/96	5/31/96	6/30/96	7/31/96	8/31/96	9/30/96	10/31/96	11/30/96	12/31/96	12/31/96	12/31/97	12/31/98	12/31/99	12/31/00
Cash flows from operating activities:																	
Net income (loss)	($8,780)	($7,920)	($5,980)	($3,510)	$840	$4,150	$585	$6,505	$13,360	$12,335	$20,285	$28,960	$66,030	$188,500	$471,925	$942,531	$1,483,418
Adjustments to reconcile net income to net cash provided by operating activities:																	
Depreciation and amortization	310	1,310	1,310	1,310	1,310	1,310	1,500	1,500	1,690	1,690	1,690	1,690	16,620	27,000	34,500	42,000	49,500
Increase (decrease) in cash from **certain working capital items:**																	
Accounts receivable	(3,750)	(2,750)	(2,750)	(3,750)	(5,500)	(6,000)	(7,500)	(9,500)	(7,850)	(10,200)	(12,150)	(5,900)	(77,600)	(3,400)	(61,000)	(86,000)	(91,000)
Inventory	(2,100)	(900)	(1,200)	(1,800)	(1,800)	(2,400)	(3,000)	(3,900)	(3,300)	(4,200)	(4,800)	(3,150)	(32,550)	(8,150)	(30,500)	(42,700)	(45,600)
Prepaid expenses	(1,500)	0	0	500	0	0	500	0	0	500	0	0	0	(3,000)	(1,500)	(1,500)	(1,500)
Accounts payable	2,000	0	600	900	700	1,000	2,400	1,300	2,100	2,400	2,000	2,600	18,000	3,400	9,200	8,800	7,300
Accrued expenses	700	0	0	0	0	0	600	0	0	700	0	0	2,000	1,100	1,200	1,100	800
Federal and state income taxes	0	0	0	0	200	1,000	200	1,600	3,300	3,100	5,100	7,200	21,700	9,700	47,250	78,450	90,125
Total adjustments	(4,340)	(2,340)	(2,040)	(2,840)	(5,090)	(5,090)	(5,300)	(9,000)	(4,060)	(6,010)	(8,160)	2,440	(51,830)	26,650	(850)	150	9,625
Net cash provided by (used for) operations	(13,120)	(10,260)	(8,020)	(6,350)	(4,250)	(940)	(4,715)	(2,495)	9,300	6,325	12,125	31,400	14,200	215,150	471,075	942,681	1,493,043
Cash flows from investing activities:																	
Purchase of property and equipment	(37,500)	0	0	0	0	0	(22,500)	0	(22,500)	0	0	0	(82,500)	(67,500)	(75,000)	(75,000)	(75,000)
Payment for organizational costs	(60,000)	0	0	0	0	0	0	0	0	0	0	0	(60,000)	0	0	0	0
Net cash used for investing activities	(97,500)	0	0	0	0	0	(22,500)	0	(22,500)	0	0	0	(142,500)	(67,500)	(75,000)	(75,000)	(75,000)
Cash flows from financing activities:																	
Proceed from long-term debt	200,000	0	0	0	0	0	0	0	0	0	0	0	200,000	0	0	0	0
Repayment of amounts borrowed	0	0	0	0	(1,695)	(2,639)	(2,662)	(2,686)	(2,709)	(2,732)	(2,757)	(2,781)	(20,661)	(35,329)	(39,223)	(43,546)	(48,345)
Proceeds from sale of common stock	400,000	0	0	0	0	0	0	0	0	0	0	0	400,000	0	0	0	0
Net cash provided by (used for) financing activities	600,000	0	0	0	(1,695)	(2,639)	(2,662)	(2,686)	(2,709)	(2,732)	(2,757)	(2,781)	579,339	(35,329)	(39,223)	(43,546)	(48,345)
Net increase (decrease) in cash	489,380	(10,260)	(8,020)	(6,350)	(5,945)	(3,579)	(29,877)	(5,181)	(15,909)	3,593	9,368	28,619	451,039	112,321	356,852	824,135	1,369,698
Cash at beginning of period	0	489,380	479,120	471,100	464,750	458,805	455,226	425,349	420,168	404,259	407,852	417,220	0	451,039	563,360	920,212	1,744,347
Cash at end of period	$489,380	$479,120	$471,100	$464,750	$458,805	$455,226	$425,349	$420,168	$404,259	$407,852	$417,220	$445,839	$451,039	$563,360	$920,212	$1,744,347	$3,114,045

MASSACHUSETTS
OFFICE OF
BUSINESS DEVELOPMENT

PAUL CELLUCCI
Governor

JANE SWIFT
Lieutenant Governor

CAROLYN E. BOVIARD
Director of Economic Development

Main Office
State Transportation Building
10 Park Plaza, Suite 3720
Boston, MA 02116
TEL (617) 973-8600
(800) 5-CAPITAL
FAX (617) 973-8797

Boston Region
State Transportation Building
10 Park Plaza, Suite 3720
Boston, MA 02116
TEL (617) 973-8686
FAX (617) 973-8797

Southeastern Region
U-Mass Dartmouth
285 Old Westport Road
Dartmouth, MA 02747
TEL (508) 997-1438
FAX (508) 997-3067

Central Region
340 Main Street, Suite 305
Worcester, MA 01608
TEL (508) 792-7506
FAX (508) 792-7532

Western Region
Springfield State Office Building
436 Dwight Street, Room B-40
Springfield, MA 01103
TEL (413) 784-1580
FAX (413) 739-9175

Northeastern Region
600 Suffolk Street, 4th Floor
Lowell, MA 01854
TEL (978) 970-1193
FAX (978) 970-1570

www.state.ma.us/mobd

Printed on recycled paper

MASSACHUSETTS
POWERED BY INGENUITY